



## *Town of Fort Myers Beach*

# Memorandum

**To:** Mayor and Council Members

**From:** Terry Stewart, Town Manager

**Date:** May 10, 2010

**Subject:** Initial Budget Numbers

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Monday May 17, 2010 will be our first work session to begin addressing the budget for fiscal year 2010-2011. This session will provide the opportunity for you to gain your first look at some preliminary numbers, identify areas you believe require a stronger focus and provide staff with information that will assist us in tuning back in some areas and perhaps strengthening our efforts in others.

The numbers for all sections of the budget are those as presented by our various department heads. These are presented uncut and unchanged in order to provide you with a clear picture of the starting point from which we will begin our work. Of course, I will be working with staff to assess these presentations and undertake efforts to define what can remain and what must wait for another year. Regardless of the eventual disposition of any of the included items, there is not a single item put forward that does not warrant being done. In point of fact, there are numerous projects, programs or capital investments that also warrant our efforts but cannot be included due to lack of resources. Our current revenue profile simply will not enable the Town to do them.

At this time we neither have ad valorem tax revenue information available to us from the Property Appraiser, our largest percentage revenue source, nor State Shared Revenues from the State of Florida, our second largest revenue source. As such it is difficult to gain a clear picture of what revenue resources will be there for consideration. This picture will begin to gain better clarity on June 1, 2010 when the Appraiser releases his Preliminary Estimates for ad valorem revenues.

During the interim, please keep a couple of items in mind regarding revenue expectations. First, it's good to know that the Town is among the areas of Lee County least affected by the real estate downturn. Compared to other areas in the county, properties in the Town of Fort Myers Beach have held their values better. This is per information provided at the annual Market Watch real estate event. This is not to say we have not been affected, but rather that our impact is less onerous. We also know that at this time, State of Florida Shared Revenues for the current fiscal year are running a bit above the state's final forecast. If the trend continues, and there are no indications that it will not, then this will provide some amount of stability with those revenues.

While attending the recent Tax and Finance Seminar presented in Orland by Nabors, Giblin & Nickerson I learned there may be an opportunity for the Town to petition the State for approval of legislation that will enable us to tap a tourism-based tax. You have heard me speak about how our town is the victim of a Shared Revenues formula predicated upon each municipality's permanent population in order to determine the amount of revenue to be allocated. If our permanent population of 6,973 accurately reflected the number of persons the Town must service, then the amount of revenue allocated to us would make better sense and better match the need. The problem is that because we are a significant tourist destination and because we also have a great many part-time residents we must establish and maintain a level of infrastructure and service far greater than would be required for a population of just 6,973. We certainly generate a sizable amount of tax revenues for the state as a result of this tourism, so I will be asking for your approval to bring this resource into our revenue profile. Even if we are ultimately successful this cannot be accomplished until the end of the 2011 Legislative session around the end of April 2011. Realistically, this may mean the resource would not be actually available until the 2011-2012 fiscal year.

A permitting program for short term rentals has been a matter of discussion on at least two occasions during my brief time here. Therefore, we propose to initiate such a program and there are numerous examples to be used as models. Council Member Raymond provided some information we have used as a guide. However, our estimates of revenue are more conservative for the initial year of the program in order to allow for actual operational numbers to provide a benchmark after the first year.

You will recall that during my interview for the Town Manager position, I responded to a question about what I thought the important issues were for our Town. One item I mentioned was the lack of revenue diversity and how much we rely upon property taxes as a percentage of our budget revenues. Such a high reliance means that when the economy is in a downturn driven by a collapse of property values, then our revenue is negatively impacted to a much greater degree than communities with more diverse and realistic revenue profiles. The only other major revenue source readily available to the Town is the Public Service Tax. I urge you to consider implementing this tax to provide greater diversity to our revenue mix.

A Cash Flow analysis is underway and will be completed upon the return of Finance Director Wicks from vacation. This will enable us to determine if there are any available resources to support the major projects or programs now on our plate. In addition, it will also enable the Town to determine what additional revenue resources are required in order to undertake those projects or programs.